

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: 02-007	2. STATE: CT
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE 7/1/02	

5. TYPE OF STATE PLAN MATERIAL (Check One):

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

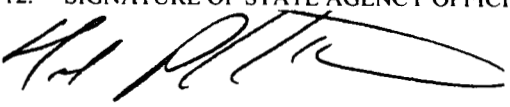
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.253(a) and (b)	7. FEDERAL BUDGET IMPACT: CORRECTED 10/18/02 a. FFY 2002 (\$2.3 million) b. FFY 2003 (\$4.4 million)
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19D, pages 57-61a	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If applicable) Attachment 4.19D, pages 57-61a

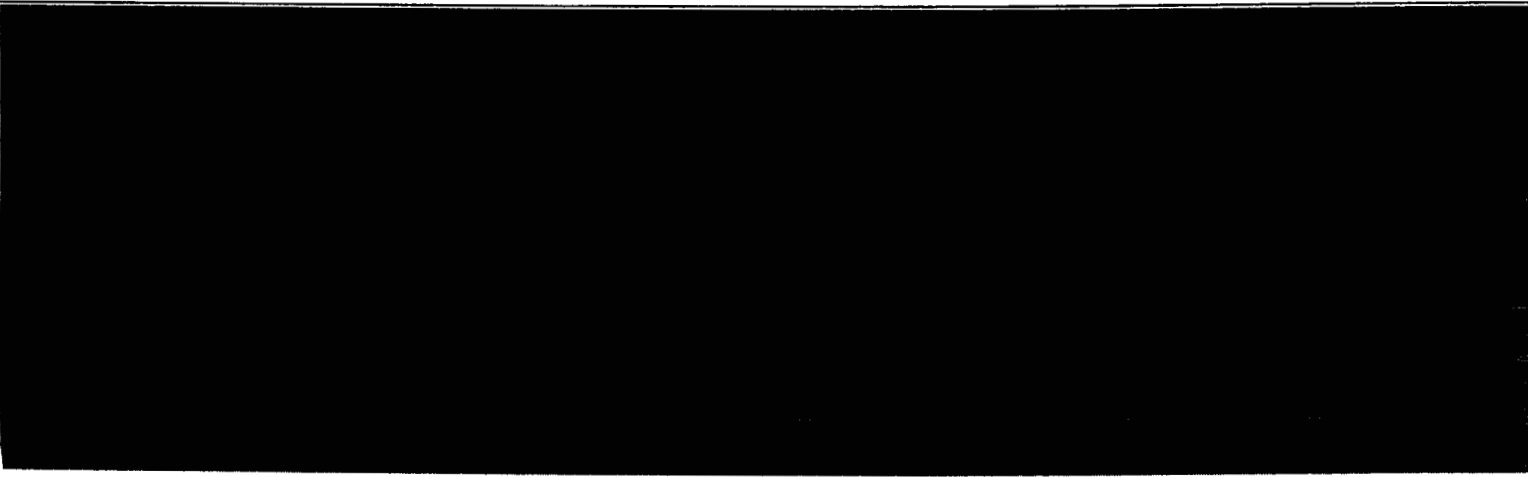
10. SUBJECT OF AMENDMENT:

Methods and Standards for Establishing Payment Rates for Nursing Facilities and Privately-Operated ICF/MR

11. GOVERNOR'S REVIEW (Check One):

<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT	<input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Comments, if any, to follow.
<input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED	
<input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL	

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: State of Connecticut Department of Social Services 25 Sigourney Street Hartford, CT 06106-5033 Attention: Barbara Fletcher, Medical Care Admin.
13. TYPED NAME: Michael P. Starkowski	
14. TITLE: Deputy Commissioner	
15. DATE SUBMITTED: September 30, 2002	



State of Connecticut

Methods and Standards for Establishing Payment Rates for Nursing Facilities

rate year ending June 30, 1993, no facility shall receive a rate that is less than the rate it received for the rate year ending June 30, 1992, or six percent more than the rate it received for the rate year ending June 30, 1992. For the rate year ending June 30, 1994, no facility shall receive a rate that is less than the rate it received for the rate year ending June 30, 1993, or six percent more than the rate it received for the rate year ending June 30, 1993. For the rate year ending June 30, 1995, no facility shall receive a rate that is more than five per cent less than the rate it received for the rate year ending June 30, 1994, or six per cent more than the rate it received for the rate year ending June 30, 1994. For the rate years ending June 30, 1996 and June 30, 1997, no facility shall receive a rate that is more than three percent more than it received for the prior rate year. For the rate year ending June 30, 1998, a facility shall receive a rate increase that is not more than two per cent more than the rate that the facility received in the prior year. For the rate year ending June 30, 1999, a facility shall receive a rate increase that is not more than three per cent more than the rate that the facility received in the prior year and that is not less than one per cent more than the rate that the facility received in the prior year exclusive of rate increases associated with a wage, benefit and staffing enhancement rate adjustment added for April 1, 1999 through June 30, 1999. For the fiscal year ending June 30, 2000, each facility, except facility's with an interim rate or replaced interim rate for the fiscal year ending June 30, 1999 and those facility's having certificate of need agreements specifying rate adjustments for fiscal year ending June 30, 2000 related to bed licensure changes, shall receive a rate increase equal to one per cent applied to the rate the facility received for the fiscal year ending June 30, 1999 exclusive of the facility's wage, benefit and staffing enhancement rate adjustment. For the fiscal year ending June 30, 2000, for facility's with an interim rate, replaced interim rate or scheduled rate adjustment specified in a certificate of need agreement for the fiscal year ending June 30, 2000, no facility shall receive a rate increase that is more than one percent more than the rate that the facility received in the fiscal year ending June 30, 1999. For the fiscal year ending June 30, 2001, each facility, except facility's with an interim rate or replaced interim rate for the fiscal year ending June 30, 2000 and those facility's having certificate of need agreements specifying rate adjustments for fiscal year ending June 30, 2001, shall receive a rate increase equal to two per cent applied to the rate the facility received for the fiscal year ending June 30, 2000. For the fiscal year ending June 30, 2001, for facility's with an interim rate, replaced interim rate or scheduled rate adjustment specified in a certificate of need agreement for the fiscal year ending June 30, 2001, no facility shall receive a rate increase that is more than two percent more than the rate that the facility received for the fiscal year ending June 30, 2000. For the fiscal year ending June 30, 2002, each facility shall receive a rate increase of two and one-half per cent applied to the rate the facility received in the prior fiscal year. For the fiscal year ending June 30, 2003, each facility shall receive a rate increase that is two percent applied to the rate the facility received in the prior fiscal year except that such increase shall be effective January 1, 2003, and such facility rate in effect for the fiscal year ending June 30, 2002, shall be paid for services provided until December 31, 2002, except any facility that would have been issued a lower rate effective July 1, 2002, than for the fiscal year ending June 30, 2002, due to interim rate status or

TN # 02-007

Supersedes

TN # 01-012

NOV 8 2002

Approval Date _____

Effective Date 7/1/02

State of Connecticut

Methods and Standards for Establishing Payment Rates for Nursing Facilities

agreement with the department shall be issued such lower rate effective July 1, 2002, and have such rate increased two per cent effective January 1, 2003.. Increases in allowable fair rent based upon annual cost filings shall be added to any other rate increases for a facility which has undergone a material change in circumstances related to fair rent.

(5) For the purpose of determining allowable fair rent, a facility with allowable fair rent less than the twenty-fifth percentile of the state-wide allowable fair rent shall be reimbursed as having allowable fair rent equal to the twenty-fifth percentile of the state-wide allowable fair rent, provided for the rate years ending June 30, 1996 and June 30, 1997, the reimbursement may not exceed the twenty-fifth percentile of the state-wide allowable fair rent for the rate year ending June 30, 1995. Beginning with the rate year ending June 30, 1996, any facility with a rate of return on real property other than land in excess of eleven per cent shall have such allowance revised to eleven per cent. Any facility or its related realty affiliate which finances or refinances debt through bonds issued by the State of Connecticut Health and Education Facilities Authority shall after reporting the terms and conditions of such financing or refinancing have the fair rent component of its rate adjusted to account for a share of, on a case-by-case basis the financial benefit the facility or its related realty affiliate received as a result of such financing or refinancing, including but not limited to, reductions in the amount of debt service payments or period of debt repayment. For good cause actual allowable debt service costs for bonds issued by the State of Connecticut Health and Educational Facilities Authority shall be allowed if such costs do not exceed allowable property costs. For facilities which first open on or after October 1, 1992, allowable fair rent shall be determined for real property other than land based on the rate of return for the cost year in which such bonds were issued. The methodology used to determine the property reimbursement component of the rate for a not-for-profit facility shall be as follows; first, fair rent as defined in the State Plan shall be calculated and second, to reflect the requirements of the State Plan which limit a not-for-profit facility's aggregate total allowable costs, the Department in its rate computation shall include the lower of fair rent or the Facility's actual allowable property costs comprised of allowable depreciation and interest plus those costs not allowed in the cost component categories of administrative and general, indirect and direct as a result of per day costs in excess of established cost component maximums plus amounts disallowed for salaries (including managerial), fees and dues in excess of reimbursement guidelines, and interest expenses related to movable equipment.

(6) A facility shall receive cost efficiency adjustments for indirect costs and for administrative and general costs if such costs are below the state-wide median costs. The cost efficiency adjustments shall equal twenty-five per cent of the difference between allowable reported costs and the applicable median allowable cost.

(7) For the rate year ending June 30, 1992, allowable operating costs, excluding fair rent.

TN # 02-007

Supersedes

TN # 01-012

Approval Date NOV 8 2002Effective Date 7/1/02

State of Connecticut

Methods and Standards for Establishing Payment Rates for Nursing Facilities

shall be inflated using the Regional Data Resources Incorporated McGraw-Hill Health Care Costs: Consumer Price Index (all urban) - All Items minus one and one-half per cent. For the rate year ending June 30, 1993, allowable operating costs, excluding fair rent, shall be inflated using the Regional Data Resources Incorporated McGraw-Hill Health Care Costs: Consumer Price Index (all urban) - All Items minus one and three quarters per cent. For the rate year ending June 30, 1994, and June 30, 1995, allowable operating cost, excluding fair rent, shall be inflated using the Regional Data Resources Incorporated McGraw-Hill Health Care Costs: Consumer Price Index (all urban) - All Items minus two per cent. For the rate year ending June 30, 1996, allowable operating costs, excluding fair rent, shall be inflated using the Regional Data Resource Incorporated McGraw-Hill Health Care Costs: Consumer Price Index (All Urban) - All Items minus two and one-half per cent. For the rate year ending June 30, 1997, allowable operating costs, excluding fair rent, shall be inflated using the Regional Data Resources Incorporated McGraw-Hill Health Care Costs: Consumer Price Index (All Urban) - All Items minus three and one-half per cent. For rate years ending June 30, 1992 and any succeeding fiscal year, allowable fair rent shall be those reported in the annual report of long term care facilities for the cost year ending the immediately preceding September thirtieth. The inflation index to be used pursuant to this subsection shall be computed to reflect inflation between the midpoint of the cost year through the midpoint of the rate year.

(8) On and after July 1, 1994, costs shall be rebased no more frequently than every two years and no less frequently than every four years, as determined by the commissioner.

(9) A chronic and convalescent nursing home having an ownership affiliation with and operated at the same location as a chronic disease hospital may request that the commissioner approve an exception to applicable rate setting provisions for chronic and convalescent nursing homes and establish a rate for the rate years ending June 30, 1992 and June 30, 1993. Any such rate shall not exceed 165% of the median rate established for chronic and convalescent nursing homes established under this section for the applicable fiscal year.

(10) For purposes of computing minimum allowable patient days, utilization of a facility's certified beds shall be determined at a minimum of ninety-five per cent of capacity, except for new facilities and facilities which are certified for additional beds which may be permitted a lower occupancy rate for the first three months of operation after the effective date of licensure.

(11) The commissioner may, in his discretion, based upon review of a facility's costs, direct care staff to patient ratio and any other related information, revise a facility's rate for any increases or decreases to total licensed capacity of more than ten beds or changes to its number of licensed rest home with nursing supervision beds and chronic and convalescent nursing home beds. The commissioner may

TN # 02-007

Supersedes

TN # 01-012

NOV 8 2002

Approval Date _____

Effective Date 7/1/02

State of Connecticut

Methods and Standards for Establishing Payment Rates for Nursing Facilities

so revise a facility's rate established for the fiscal year ending June 30, 1993, and thereafter for any bed increases, decreases or changes in licensure effective after October 1, 1989.

(12) The commissioner may reduce the rate in effect for a facility which fails to file its annual cost report on or before December 31 following the close of the annual cost report period ended September 30 by an amount not to exceed ten per cent of such rate.

(13) If changes in federal or state laws, regulations or standards adopted subsequent to June 30, 1985, result in increased costs or expenditures in an amount exceeding one-half of one per cent of allowable costs for the most recent cost reporting year, rates may be adjusted for any such increased reasonable costs or expenditures within a reasonable period of time retroactive to the date of enforcement. Nothing in this section shall be construed to require the Department to adjust rates and provide payment for any increase in costs resulting from an inspection of a facility by the Department of Health Services.

(14) Costs incurred in complying with the Omnibus Budget Reconciliation Act of 1987 (OBRA 1987) will be included in per diem rates effective October 1, 1990. A cost settlement process will be instituted whereby facilities will file reports of actual costs mandated by the requirements of OBRA 1987 and retroactive settlements will be made for rate periods for which rates are established based upon cost periods prior to 1992 (the second full year of OBRA implementation). These rates also reflect the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) which require that payment rates reflect the costs of services required to attain or maintain the highest practicable physical, mental and psychological well-being of each resident eligible for Medicaid.

(15) The commissioner may, upon application, waive the cost disallowance applied to a facility which accepts per diem payments from another state in excess of the Connecticut Medicaid rate.

(16) The commissioner shall adjust facility rates for the April 1, 1999 through June 30, 1999 portion of the fiscal year ending June 30, 1999, by a per diem amount representing each facility's allocation of funds appropriated for the purpose of worker wage, benefit and staffing enhancement. A facility's per diem allocation of such funding shall be computed as follows: (A) The facility's direct and indirect component salary, wage, nursing pool and allocated fringe benefit costs as filed for the 1998 cost report period deemed allowable in accordance with this section and applicable regulations without application of cost component maximums specified in subsection (f)(3), shall be totaled; (B) such total shall be multiplied by the facility's Connecticut Medicaid utilization (Connecticut Medicaid days as a percentage of total resident days) based on the 1998 cost report; (C) the resulting amount for the facility shall be divided by the sum of the calculations specified in subparagraphs (A) and (B) of this subdivision

TN # 02-007

Supersedes

TN # 01-012

Approval Date NOV 8 2002

Effective Date 7/1/02

State of Connecticut

Methods and Standards for Establishing Payment Rates for Nursing Facilities

for all facilities to determine the facility's percentage share of appropriated wage, benefit and staffing enhancement funding ; (D) the facility's percentage share shall be multiplied by the amount of appropriated wage, benefit and staffing enhancement funding to determine the facility's allocated amount; and (E) such allocated amount shall be divided by Connecticut Medicaid days included in the 1998 cost report to determine the per diem wage and benefit rate adjustment amount. The commissioner may adjust a facility's reported 1998 cost and utilization data for the purposes of determining a facility's share of wage, benefit and staffing enhancement funding when reported 1998 information is not substantially representative of estimated cost and utilization data for the fiscal year ending June 30, 2000 due to special circumstances during the 1998 cost report period including change of ownership with a part year cost filing or reductions in facility capacity due to facility renovation projects. Upon completion of the calculation of the allocation of wage, benefit and staffing enhancement funding the commissioner shall not adjust the allocations due to revisions submitted to previously filed 1998 annual cost reports. In the event that a facility's rate for the fiscal year ending June 30, 1999 is an interim rate or the rate includes an increase adjustment due to a rate request to the commissioner or other reasons, the commissioner may reduce or withhold the per diem wage, benefit and staffing enhancement allocation computed for the facility. Any enhancement allocations not applied to facility rates shall not be reallocated to other facilities and such unallocated amounts shall be available for the costs associated with interim rates and other Medicaid expenditures. The wage, benefit and staffing enhancement per diem adjustment for the April 1, 1999 through June 30, 1999 period shall also be applied to rates for the fiscal years ending June 30, 2000 except that the commissioner may increase or decrease the adjustment to account for changes in facility capacity or operations. Any facility accepting a rate adjustment for wage, benefit and staffing enhancements shall apply payments made as a result of such rate adjustment for increased allowable employee wage rates and benefits and additional direct and indirect component staffing. Adjustment funding shall not be applied to wage and salary increases provided to the administrator, assistant administrator, owners or related party employees. Enhancement payments may be applied to increases in costs associated with staffing purchased from staffing agencies provided such costs are deemed necessary and reasonable by the commissioner. The commissioner shall compare expenditures for wages, benefits and staffing for the 1998 cost report period to such expenditures in the 1999, 2000 and 2001 cost report periods to determine whether a facility has applied additional payments to specified enhancements. In the event that the commissioner determines that a facility did not apply additional payments to specified enhancements, the commissioner shall recover such amounts from the facility. The commissioner may require facilities to file cost reporting forms, in addition to the annual cost report, as may be necessary to verify the appropriate application of wage, benefit and staffing enhancement rate adjustment payments.

TN # 02-007

Supersedes

TN # 01-012

Approval Date NOV 8 2002

Effective Date 7/1/02

Attachment 4.19-D
Page 61a

State of Connecticut

Methods and Standards for Establishing Payment Rates for Privately-operated Intermediate Care Facilities for the Mentally Retarded

(1) Any privately-operated facility with real property other than land placed in service prior to October 1, 1991, shall, for the rate year ending June 30, 1995, receive a rate of return on real property equal to the average of the rates of return applied to real property other than land placed in service for the five years preceding October 1, 1993. For the rate year ending June 30, 1996, and any succeeding rate year, the rate of return on real property for property items shall be revised every five years. The commissioner shall, upon submission of a request, allow actual debt service, comprised of principal and interest, in excess of allowable property costs if it is deemed that such debt service terms and amounts are reasonable in relation to the useful life and the base value of the property. For the rate year ending June 30, 1995, and any succeeding rate year, no inflation adjustment shall be applied to real property costs.

(2) For the rate year ending June 30, 1996, and any succeeding rate year, the allowance for real wage growth shall not be applied. For the rate year ending June 30, 1996, rates shall include an amount representing application of a two and one-half percent factor to salary, wage and benefit costs reported in 1994 cost report filings.

(3) For the rate year ending June 30, 1996, and any succeeding rate year, no rate shall exceed three hundred seventy-five dollars per day unless the Commissioner in consultation with the Commissioner of Mental Retardation, determines after a review of program and management costs, that a rate in excess of this amount is necessary for care and treatment of facility residents.

(4) The inflation adjustment applied in accordance with subsection (p) of the State Plan (Attachment 4.19D, page 21) to update allowable 2000 costs shall be increased to include a three and one half percent inflation factor for the rate year ending June 30, 2002. The inflation adjustment applied in accordance with subsection (p) of the State Plan (Attachment 4.19D, page 21) to update allowable 2001 costs shall be increased to include a one and one half percent inflation factor, except that such increase shall be effective November 1, 2002, and such facility rate in effect for the fiscal year ending June 30, 2002, shall be paid for services provided until October 31, 2002, except any facility that would have been issued a lower rate effective July 1, 2002, than for the fiscal year ending June 30, 2002, due to interim rate status or agreement with the department shall be issued such lower rate effective July 1, 2002, and have such rate updated effective November 1, 2002, in accordance with applicable statutes and regulations.

TN # 02-007

Supersedes

TN # 01-012Approval Date NOV 8 2002Effective Date 7/1/02